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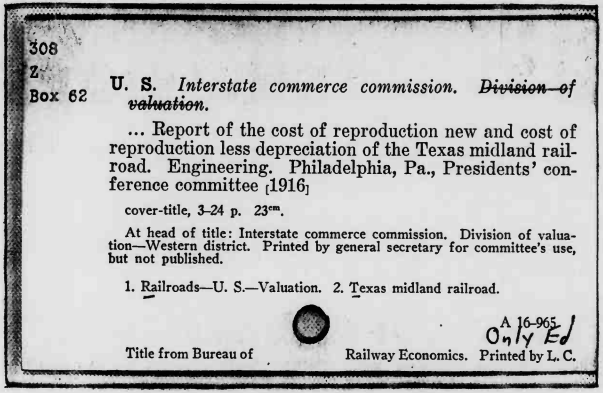
U.S. Interstate Commerce Commission

Report of the cost of...
Texas Midland Railroad

Philadelphia, Pa.

[1916]



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INTERSTATE COMMERCE COMMISSION

DIVISION OF VALUATION—WESTERN DISTRICT

REPORT OF THE COST OF REPRODUCTION NEW

AND

COST OF REPRODUCTION LESS DEPRECIATION

OF THE

TEXAS MIDLAND RAILROAD

ENGINEERING

OFFICE OF
GENERAL SECRETARY
PRESIDENTS' CONFERENCE COMMITTEE
PHILADELPHIA, PA.

REPORT OF THE COST OF REPRODUCTION NEW AND COST OF REPRODUCTION LESS DEPRECIATION OF THE TEXAS MIDLAND RAILROAD.

History.

The Texas Midland Railroad is a steam carrier in the State of Texas, operating between Paris in Lamar County, the northern terminus, and Ennis in Ellis County, the southern terminus, a distance of 124.61 miles, of which 110.64 miles are owned and 13.97 miles operated under trackage rights.

During the years of 1882, 1883 and 1884 the Texas Central Railroad built a railroad from Garnett, Texas, to Roberts, Texas, which in 1893 was purchased by the Texas Midland Railroad. In 1894 the Texas Midland built a line from Midland Junction, a point about two miles east of Garrett, to Ennis, a distance of 4.6 miles. At the same time construction work was started on what was known as the "Greenville Extension," from Roberts to Greenville, a distance of 18.76 miles, which work was completed during the year 1894.

In 1896 a line known as the "Paris Extension" was built from Commerce to Paris, a distance of 37.63 miles. In the same year the line from Garrett to Midland Junction was abandoned. On the completion of the line from Commerce to Paris, an agreement was entered into with the St. Louis Southwestern Railway of Texas for the right to operate over the rails of the latter company between Greenville and Commerce, a distance of 13.97 miles.

Topography, Geology and Climate.

The country traversed by the Texas Midland Railroad consists of rolling hills, interspersed with small depressions, no streams of any consequence being encountered except north of Ennis, where the Trinity River is crossed, and south of Greenville, where the Caddo River is crossed.

The soil on the hills is a sandy loam, while in the bottoms, a black, waxy material is encountered, which by some people is

called "gumbo." There are no outcroppings of rock and very little rock or hard material was encountered in the construction of the roadbed.

The average altitude of the territory traversed by the Texas Midland is 560 feet above sea level.

The winters are mild, snowfall being light, and the period of low temperature is of brief duration.

The average rainfall, distributed throughout the year, is 28 inches.

The country served is purely agricultural, no manufactories of any consequence being found in any of the towns.

Density of Traffic.

The following table, with reference to freight traffic, is a statement of the percentage of the principal classes of freight carried by this road.

Year	Grain	Cotton	Total Products of Agriculture	Lumber	Cement, Brick, Lime	Bituminous Coal	All Other Classes	Total
1911	2.47	9.33	27.69	6.39	3.51	31.51	19.10	100
1912	6.34	15.98	40.26	5.87	3.08	26.22	4.25	100
1913	3.37	11.89	32.22	6.19	2.95	35.87	7.51	100

The density of traffic on the Texas Midland Railroad for the year 1914, compared with the density of traffic of all the railways in Texas, is shown in the following table:

Items	Texas Midland Railroad	All other railroads in Texas
Number of revenue tons hauled one mile, per mile of road	161,008	199,777
Number of revenue passengers hauled one mile, per mile of road	66,900	33,818

General Description of Property and Valuation Sections.

The Texas Midland Railroad property consists of the following main and other track mileage, with their appurtenances, as given below in the general description of valuation sections:

Valuation Section No. 1.—From survey station 0+00, being a rail monument 280 feet north of head block in the Houston & Texas Central Railroad's main track, south end of the yards at Ennis, Texas, to survey station 3855+21, being 1070 feet north of the center of the St. Louis Southwestern Railway of Texas' crossing at Greenville, being 72.920 miles of main line.

Valuation Section No. 2.—1120.9 lineal feet of the north leg of the "Y" at North Ennis, of the Texas Midland Railroad and the Houston & Texas Central Railroad, its easterly end being 82 feet southwesterly from head block in the Texas Midland's main track at North Ennis. This track is jointly owned by the above-named companies, each having a 50 per cent. interest.

Valuation Section No. 3.—The connecting track between the Texas Midland and the Texas & New Orleans Railroad, being 962 feet in length, located at Kaufman, Texas, commencing at the head block 1486.3 feet north of the center of the railroad crossing of the above railroads. This track is jointly owned by the above-named railroads, each having a 50 per cent. interest.

Valuation Section No. 4.—Five tracks at the Refining Company's plant at Greenville, Texas, which are jointly owned by the St. Louis Southwestern Railway Company of Texas, the Missouri, Kansas & Texas Railway Company of Texas and the Texas Midland Railroad, each company owning one-third undivided interest. The total length of the tracks being 2617 feet.

Valuation Section No. 5.—Five side tracks in Jordan Street, Greenville, Texas, and leading thereto, in which the St. Louis Southwestern Railway Company of Texas and the Texas Midland Railroad each own a one-half undivided interest. The total length of these tracks is 5760 feet.

Valuation Section No. 6.—Commences at survey station 3877+22.5, being the head block in the St. Louis Southwestern Railway Company of Texas main track, 777.5 feet southwest of the center of the St. Louis Southwestern Railway of Texas and the Texas Midland Railroad crossing at Commerce, Texas, and extending to survey station 5864+05.0, of the main track, 227 feet north of the south face of the freight depot at Paris, being 37.629 miles in length.

Construction Program.

The Texas Midland Railroad is intersected by other railroads as follows:

Paris, Texas.—Paris & Mount Pleasant Railroad, the Gulf, Colorado & Santa Fe Railway, the Texas & Pacific Railway, and the Paris & Great Northern Railroad.

Commerce, Texas.—St. Louis Southwestern Railway of Texas.

Greenville, Texas.—The Missouri, Kansas & Texas of Texas, and the St. Louis Southwestern Railway of Texas.

Terrell, Texas.—Texas & Pacific Railway.

Kaufman, Texas.—Texas & New Orleans Railroad.

Ennis, Texas.—Houston & Texas Central Railroad.

It was assumed that all of these points were common points at which construction materials and supplies could be received.

The road was divided into four construction divisions:

Paris to Commerce	37.629	miles.
Greenville to Terrell	32.472	"
Terrell to Kaufman	10.771	"
Kaufman to Ennis	29.772	"

It was assumed that grading work would be carried on simultaneously on all divisions. In the beginning the grading forces would be concentrated on that part of the line between Greenville and the Caddo River and Ennis and the Trinity River, and the track laid on this part of the roadbed at as early a date as possible, so that materials for the construction of the bridges across these two rivers could be delivered at the bridge sites.

It was assumed that the materials for culverts and small bridges would be hauled by wagon and team from the nearest common delivery point.

The construction work on all buildings at Paris, Commerce, Greenville, Terrell, Kaufman and Ennis to be started simultaneously with the grading work. The small buildings between the above-named points, water stations, ballast and fencing, to be constructed as the track was laid.

It was assumed that from the beginning of the reconnaissance surveys to the placing of the road in service would require about eighteen months.

Inventory.

The inventory work was performed during the months of January, February, March and April, 1914.

Unit Prices.

The unit prices applied to the schedules of reproduction on the Texas Midland are the representative prices of railway property constructed or purchased by the usual methods of railway construction. For that class of property which is generally constructed under contract, the unit prices are representative of unit costs. Where property is first purchased direct from a manufacturer, or material is purchased from the manufacturer and installed by day labor, the unit prices are representative of unit costs.

Later, in this statement, will be found remarks regarding each account. Where the unit prices are not in exact conformity with the Commission's classification, explanation will be given.

Service Condition Per Cent. (Depreciation).

Excepting as may be subsequently pointed out, the service condition per cent. of the property of the Texas Midland was determined in accordance with the principles and rules set forth in the Engineering Board's memorandum to the Director, No. 226.

STATEMENT BY ACCOUNTS GIVING ANALYSIS OF UNIT PRICES AND PRINCIPLES AND METHODS FOLLOWED.

Account No. 1—Engineering.

Inquiry of the Accounting Section develops the fact that the records of the carrier do not show sufficient information from which to draw any conclusions as to the amount of the engineering expense associated with the road.

After a general inspection and study of the property with a view to ascertaining the amount of engineering necessary to its creation, and a construction program having been outlined, a detailed estimate of engineering expense was prepared. It is the opinion of the district that the estimate is commensurate with the engineering which actually exists.

The service condition of engineering expenses for the preliminary and location surveys, and that required for the construction of the roadbed, was considered 100 per cent., the remaining expense was given a service condition per cent. equal to the weighted service condition per cents. of Accounts 3 to 47, inclusive. The details are given in the accompanying schedules of reproduction cost.

Account No. 2—Land.

No statement is made for this account as it is being reported by the Land Section.

Account No. 3—Grading.

Clearing and Grubbing: The quantities of clearing and grubbing are estimated according to the extent of timber contiguous to the right of way as of the date of valuation.

The unit prices shown in the schedules of cost of reproduction are representative contract prices for work of this kind in the vicinity of northern Texas.

The grading quantities shown are the actual quantities measured in the field, plus an amount for shrinkage which is added to the embankment quantities. This additional amount is shown separately in the schedules of reproduction.

Clearing and grubbing, excavation and embankment quantities in the roadbed were given a service condition of 100 per cent.

Account No. 4—Underground Power Tubes.

No property of this class.

Account No. 5—Tunnels and Subways.

No property of this class.

Account No. 6—Bridges, Trestles and Culverts.

A bill of material of all trestles is shown for each valuation section, accompanied by a statement of their aggregate length.

The service condition for each individual trestle was established for the deck and for the sub-structure separately. Subsequently the service condition per cents. for all trestles on a valuation section were compiled and a weighted average obtained.

The unit prices for pipe and box culverts are for all labor of installation, including excavation for foundation.

Account No. 7—Elevated Structures.

No property of this class.

Account No. 8—Ties.

The percentage of first-class and second-class ties was determined from the carrier's tie records.

The unit prices applied to cattle-guard, bridge and switch ties is an amount per 1000 ft. b. m., unloaded in company's material yard.

The service condition of ties was determined from statistical studies of the carrier's records, and the conclusion reached that the renewals had been normal, thus giving the ties a service condition of 50 per cent.

Account No. 9—Rails.

The unit prices applied to new rails are upon the basis of 5 per cent. being second class, and 95 per cent. being first class.

A study of the rail of the Texas Midland Railroad led to the conclusion that any rail in main-line track could be expected to have a total life of 25 years as new rail before becoming relay; that relay rail would have a life of 50 years before becoming scrap.

The service condition was established for each of these cycles according to the age of the rail in each particular cycle. In order to do this it was necessary to ascertain the value of relay and scrap rail. Investigation led to the conclusion that relay rail of the Texas Midland Railroad had a net value of $23.50 per gross ton and scrap rail a net value of $9.00 per gross ton. The total gross tons of rail of each class was determined by the calculation of theoretical weights, not taking into account any loss due to wear.

Account No. 10—Other Track Material.

The unit prices applied to the various items of property classified under this account are representative of commercial prices f. o. b. common points on the Texas Midland Railroad to which are applied the cost of unloading and inspection.

The unit prices on various items of property are shown in detail on the schedules of cost of reproduction.

Angle bars were given the same service condition assigned to the cycle of rail with which they were associated.

Account No. 11—Ballast.

The ballast was secured from several sources and the prices applied depend upon where the ballast was used.

The burned clay ballast used between Kaufman and Greenville was secured at the Kaufman pit and burned clay ballast used between Commerce and Paris was secured at the Enloe pit.

The cost f. o. b. cars for cinders and sand includes only the expense of loading. In determining the final prices applied to cinders, it was assumed that all cinders would have an average haul on the basis that they were secured at Terrell.

No mortality tables or statistical data are available from which the service condition of the various classes of ballast could be estimated, and this was determined solely by observation.

Account No. 12—Track Laying and Surfacing.

The unit price applied as shown in the schedules of cost of reproduction are representative contract prices for work of this class in the vicinity of northern Texas.

This account is primarily a labor expense, and to determine the service condition the expense was allocated to the various materials which are to be handled and is shown in the following table:

ALLOCATION OF EXPENSE OF TRACK LAYING AND SURFACING TO VARIOUS CLASSES OF MATERIAL.

	Acct. 8	Acct. 9	Acct. 10	
Laying skeleton track	$310	$150	$220	
Running surface	33	33	34	
Placing two turnouts			40	
Total	$343	$183	$294	
Total cost per mile				$820
Per cent. of total	42	22	36	

Main Track, T. M.–1–T.

Accounts	Per Cent. of Whole	Service Condition Per Cent.	Weighted Service Condition Per Cent.
Ties, Account 8	42	50	21.00
Rails, Account 9	22	73	16.06
Fastenings 10	36	40	14.40
Total			51.46

Other Tracks T. M.–1–T.

Ties, Account 8	42	50	21.00
Rails, Account 9	22	74	16.28
Fastenings 10	36	49	17.64
Total			54.92

Section T. M.–2–T.

Ties, Account 8	42	50	21.00
Rails, Account 9	22	71	15.62
Fastenings 10	36	40	14.40
Total			51.02

Section T. M.–3–T.

Accounts	Per Cent. of Whole	Service Condition Per Cent.	Weighted Service Condition Per Cent.
Ties, Account 8	42	50	21.00
Rails, Account 9	22	79	17.38
Fastenings 10	16	49	17.64
Total			56.02

Section T. M.–4–T.

Ties, Account 8	42	50	21.00
Rails, Account 9	22	74	16.28
Fastenings 10	36	44	15.84
Total			53.12

Section T. M.–5–T.

Ties, Account 8	42	50	21.00
Rails, Account 9	22	74	16.28
Fastenings 10	36	40	14.40
Total			51.68

Section T. M.–6–T.

Ties, Account 8	42	50	21.00
Rails, Account 9	22	71	15.62
Fastenings 10	36	38	13.68
Total			50.30

Other Tracks.

Ties, Account 8	42	50	21.00
Rails, Account 9	22	73	16.00
Fastenings 10	36	48	17.28
Total			54.34

The above weighted service condition per cents. are applied to the proper valuation sections in the schedules of cost of reproduction.

The unit prices for track laying and surfacing in addition to that specified in the classification of accounts includes the expense of maintaining material yards, handling and loading ties and rails at material yards; and unloading, handling and reloading other track material, Account 10; and other incidental material yard expenses which a strict interpretation of the classification of accounts requires to be allocated to each individual item of property, regardless of the insignificance of the expense or total cost of the item of property. Such refinement is unpracticable of application in this work.

Account No. 13—Right of Way Fences.

The unit price applied to the various items of this account include the expense of installation.

The service condition was determined by using the principles adopted by the Engineering Board.

Account No. 14—Snow and Sand Fences and Snowsheds.

No property under this account.

Account No. 15—Crossings and Signs.

The unit price applied to property included in this account includes cost of installation and all other expenses incident thereto.

Account No. 16—Station and Office Buildings.

The cost of reproduction new and cost of reproduction less depreciation of station and office buildings was determined by applying unit prices to the various parts of the building.

The unit prices used for concrete masonry, rubble masonry, and excavation for foundations are representative contract prices for work in the vicinity of north Texas.

Furniture and fixtures were found to be different for each building, and a unit price for each individual piece of furniture was established. Typewriters, adding machines and similar items were considered furniture.

In the Western District mortality tables for buildings were not available.

In establishing the service condition of buildings each was divided into a number of elements, as roof, outside walls, inside finish of outside walls, ceiling, partitions, floorings, openings and foundations. The age of the buildings was ascertained, which in general is the age of each element. Each element was carefully inspected, and a service condition was established, based upon the age and expected life, modified by actual observations. It was found that had mortality tables been available, their exclusive use would not have been satisfactory because of instances where buildings, being permitted to rapidly deteriorate and receiving no maintenance, the mortality table would give a much higher service condition than the facts warrant.

Account No. 17—Roadway Buildings.

The cost of reproduction new and reproduction less depreciation of roadway buildings was established by the same methods as used in Account No. 16—Station and Office Buildings.

Account No. 18—Water Stations.

In obtaining the cost of reproduction new and the cost of reproduction less depreciation of buildings for water stations, the same methods were used as for Account No. 16—Station and Office Buildings.

The unit prices applied to wells of various sizes are based upon the representative prices of contract work in the vicinity of northern Texas.

Account No. 19—Fuel Stations.

There is only one structure, which is located at Paris, coming under this account. This structure, being very similar to frame trestles, the cost of reproduction new and the cost of reproduction less depreciation was determined by the same methods as used for timber trestles in Account No. 6—Bridges, Trestles and Culverts.

Account No. 20—Shops and Engine Houses.

The cost of reproduction new and the cost of reproduction less depreciation of shops and engine houses was established by the same method as used in Account No. 16—Station and Office Buildings.

Account No. 21—Grain Elevators.

There is no property coming under this account.

Account No. 22—Storage Warehouses.

There is no property coming under this account.

Account No. 23—Wharves and Docks.

There is no property coming under this account.

Account No. 24—Coal and Ore Wharves.

There is no property coming under this account.

Account No. 25—Gas-Producing Plants.

There is no property coming under this account.

Account No. 26—Telegraph and Telephone.

The only property which the Texas Midland owns under this account is a private telephone line from the general office to the machine shops at Terrell. A detailed bill of material is shown in the schedules of cost reproduction.

The unit prices applied are the average of commercial prices in the vicinity of northern Texas. The whole amount of the property being so small, the service condition was determined solely from observation, no attempt being made to apply mortality tables.

Account No. 27—Signals and Interlockers.

The price applied to interlockers was based upon representative contract prices for interlockers of similar character installed complete.

In determining the cost of reproduction new and the cost of reproduction less depreciation of buildings, coming under this account, the same methods were used as set forth in Account No. 16—Station and Office Buildings.

Account No. 28—Power Dams, Canals and Pipe Lines.

No property coming under this account.

Account No. 29—Power Plant Buildings.

In determining the cost of reproduction new and the cost of reproduction less depreciation of buildings, the same methods were used as set forth in Account No. 16—Station and Office Buildings.

Account No. 30—Power Substation Buildings.

No property coming under this account.

Account No. 31—Power Transmission Systems.

No property coming under this account.

Account No. 32—Power Distribution System.

The items of property coming under this account are but small in value.

The unit prices determining the cost of reproduction are commercial prices for property of these classes plus the cost of installation.

Account No. 33—Power Line Poles and Fixtures.

No property coming under this account.

Account No. 34—Underground Conduits.

No property coming under this account.

Account No. 35—Miscellaneous Structures.

Under this account has been classified ways for unloading telegraph poles and bridge timbers at Terrell, Texas, cost of reproduction new being $84, and the cost of reproduction less depreciation, $29.

Account No. 36—Paving.

No property coming under this account.

Account No. 37—Roadway Machines.

The aggregate of property classified under this account is small, amounting to only $2306, the items of which with prices applied are shown in detail in the schedules of cost of reproduction.

Account No. 38—Roadway Small Tools.

The property under this account is made up of numerous items. The service condition was determined by observation, the conclusion being reached that the small roadway tools were in a service condition per cent. slightly above the average, the amount applied being 55 per cent.

Account No. 39—Assessments for Public Improvements.

The carrier's records showed that assessments had been made against it for public improvements, in accordance with the following statement:

Val. Sec. T. M.–1–T.

Kaufman—Sidewalk and driveway	$ 145.70	
Greenville:—		
E. Lee St.—Vitrified brick pavement and concrete curb	1,893.54	
E. Lee St.—Bitulithic pavement, concrete curb and gutter	2,193.64	
E. Lee St.—Bitulithic pavement	585.00	
E. Lee St.—Bitulithic pavement across tracks	194.16	
E. Lee St.—Sidewalk at freight depot	235.10	
Greenville—Drainage ditch—Texas Midland's proportion	1,062.60	
		$6,309.74

Val. Sec. T. M.–5–T.

Tracks Leading to and in Jordan Street.

From Johnston Street to Stewart Street. Brick pavement, asphalt joints on 4-inch concrete base	$2,482.24	
		2,482.24

Val. Sec. T. M.–6–T.

Hinkley St., Commerce. Concrete sidewalk	$63.60	
Klondike. Concrete sidewalk across Texas Midland property	20.00	
West end of Austin St., Paris. 24-inch tile	44.00	
Kaufman St. Paving and curbing of street and driveway	767.70	
Kaufman St. Concrete sidewalk	139.50	
		1,034.80
Grand Total		$9,826.78

The above statement is given as information and has not been included in the schedules of reproduction of the summaries thereof.

Account No. 40—Revenues and Operating Expenses during Construction.

An examination of the records of the Texas Midland Railroad, by the Accounting Section, did not show where the company had earned any revenues which would be classified under this account.

Account No. 41—Cost of Road Purchased.

The Texas Midland purchased that part of their line from Garrett, Texas, to Roberts, Texas, which transaction and the amounts have been fully set forth in the report of the Accounting Section.

The physical property of this part of the road has been inventoried and classified under the proper accounts and shown in the schedules of cost of reproduction.

Account No. 42—Reconstruction of Road Purchased.

The statement under Account No. 41—Cost of Road Purchased, is applicable to Reconstruction of Road Purchased.

Account No. 43—Other Expenditures—Road.

To provide for the expense of freight, over the line of the road during construction, and similar miscellaneous items, an amount of $50.00 per mile of main track was estimated as sufficient. There was some question as to the propriety of classifying this expense under this account. A rigid application of the classification of accounts probably would require the allocation of the expenses of freight over line under construction, unloading and others similar, to each individual item of property. This refinement was thought unpracticable, therefore this cost is shown under this account.

Account No. 44—Shop Machinery.

Each machine or piece of equipment of any consequence is listed separately with the unit price applied, which price includes the foundation and installation.

Small hand tools, numerous but of small individual value, were individually priced, then grouped and only the totals for groups are shown on the schedules of cost of reproduction.

The service condition for machinery and equipment was determined by actual observation, having in mind the age and the expected service life.

The service condition of small hand tools and other similar property was generally considered as 50 per cent.

Account No. 45—Power Plant Machinery.

The property under this account was treated in the same manner as Account No. 44—Shop Machinery and Tools.

Account No. 46—Power Substation Apparatus.

No property under this account.

Account No. 47—Unapplied Construction Material and Supplies.

No property under this account.

Account No. 51—Steam Locomotives.

Each locomotive was inspected for the purpose of identifying the property and making observations as to additions and betterments which have been applied since the locomotive was originally purchased.

The unit prices applied are representative prices of locomotives of each class, and includes the freight from the locomotive works, also the cost of tool equipment, setting up and breaking in.

The Texas Midland made no expenditures for design engineering or inspection other than that incurred by the locomotive works and included in the price paid. Therefore this expense never having existed, it has not been considered capable of reproduction and nothing has been included.

The locomotives which were purchased second hand were given a "cost of reproduction new" at the second-hand price, which was subsequently depreciated.

Account No. 52—Other Locomotives.

No property coming under this account.

Account No. 53—Freight Train Cars.

All freight train cars were inspected to establish their existence and service condition. Prior to the beginning of this inspection the carrier was asked to furnish a list of its freight equipment, which was used as a guide for the inspection. It was

ultimately found that this list of equipment was in error 22⅔ per cent., which error was definitely established and acknowledged by the carrier. It was found among other things which brought about this error.

(*a*) A number of cars as reported by the carrier which did not exist.

(*b*) Cars in existence of which the carrier had no record.

(*c*) One or more cars in existence which carried the same number.

The unit prices applied to freight train cars are representative prices paid by carriers for equipment of the various classes in the vicinity of northern Texas, which includes freight from the factory. Nothing is included for design, engineering or inspection, excepting that which was incurred by the manufacturer and is included in the original price.

Account No. 54—Passenger Train Cars.

All passenger train cars were inspected to determine their existence and their service condition.

The unit prices applied are representative of those paid by carriers in the vicinity of northern Texas, including the freight from the factory. Nothing is included for design, engineering or inspection, excepting that incurred by the manufacturer and included in the original price.

Account No. 55—Motor Equipment of Cars.

The Texas Midland owns two motor passenger cars, which are used in suburban service. The equipment was practically new and the service condition was determined by actual observation.

The equipment for these two cars coming under this account was included in the contract price paid for the cars as a whole, and the unit price applied to this equipment was based upon these contracts. The reporting of all the expense for these cars under this account is not in exact conformity with the classification of accounts; that part of the equipment, such as trucks and body of the car, should be classified under Account No. 54—Passenger Train Cars, but because of the impracticability of separating the cost of the various parts of the cars, these costs are shown in their entity under this account.

Account No. 56—Floating Equipment.

No property coming under this account.

Account No. 57—Work Equipment.

The property under this account was inspected to establish the existence of the property.

The unit prices applied are representative of the prices paid by the carrier for property of this class, including freight from the factory. Nothing has been included for design, engineering or inspection, excepting that incurred by the manufacturer and included in the original price.

Account No. 58—Miscellaneous Equipment.

No property coming under this account.

Account No. 71—Organization Expenses.

Under this account was included a charter fee, as required by the statutes of the State of Texas, and a few other incidental expenses.

It is thought that the salary and expenses allowed under Account No. 72—General Officers and Clerks, and Account No. 73—Law, is sufficient to include negotiations for securing money for construction of the property.

It has been considered that as the expenses under this account are principally the creating of an organization and property, that its service condition is 100 per cent.

Account No. 72—General Officers and Clerks.

An estimate was made of the necessary executive and general officials, clerks and their expenses, necessary to the construction of the property.

The service condition of this account has been considered as 100 per cent. for the reason that the major part of the expenditure was incurred in creating the corporation and property.

Account No. 73—Law.

Under this account has been included the necessary legal expense, including clerks, stenographers, office rent, and other expenses incidental thereto. Nothing has been included in this account covering the expense of the acquisition of lands or right of way.

The service condition of this account has been considered as 100 per cent. for the reason that the major part of the expenditure was incurred in creating the property.

Account No. 74—Stationery and Printing.

An estimate was made of the necessary stationery and printing for the construction of the property.

The service condition was considered as 100 per cent.

Account No. 75—Taxes.

An amount for taxes during construction was allowed equal to one-fourth of the total amount of taxes paid by the Texas Midland during the year 1914. The taxes paid for the year 1914 was on property actually in existence and inventoried.

The service condition of taxes during construction has been placed at the average service condition of Accounts Nos. 1 and 3 to 77, inclusive, excepting Account No. 75—Taxes.

Account No. 76—Interest During Construction.

Based upon the program of construction a study was made of the amount of money needed each month and the interest calculated therefrom, which led to the conclusion that the total amount of interest during construction would equal the interest rate of one-half of the total expenditures for the total period of construction.

In determining the amount of interest during construction, the interest rate on safe investments for northern Texas was applied. It is true that money is secured for railway investments at a less rate than the rate in northern Texas. However, it is generally the rule that where low interest rates are secured a premium is paid in the way of discount on bonds.

The interest during construction was assumed to have a service condition equal to the average service condition of Accounts Nos. 1 and 3 to 77, excepting 76—Interest during Construction.

In this report and in the schedules of cost of reproduction, no allowance has been made for interest during construction on the purchase of right of way, as this account is being reported upon by the Land Section.

Account No. 77—Other Expenditures—General.

There is no property coming under this account.

Jointly-Owned Properties.

The Texas Midland owns jointly with other carriers the following property, of which schedules of reproduction have been prepared and are included as a part of the Texas Midland report. These jointly-owned properties are as follows:

Valuation Section	Joint Owner	Texas Midland's Proportion		
		Ratio	Cost of Reproduction New	Cost of Reproduction Less Depreciation
T. M.–2–T.	Houston & Tex. Cent.R.R.	50%	$1,007	$683
T. M.–3–T.	Texas & N. O. R. R.	50%	1,269	842
T. M.–4–T.	Mo., Kan. & Texas R. R. and St. L. & S. W. Ry.	33⅓%	1,639	1,035
T. M.–5–T.	St. L. & S. W. Ry.	50%	18,023	15,031

General Summary.

The cost of reproduction new and cost of reproduction less depreciation of the property of the Texas Midland is shown in the following general summary:

Valuation Section	Cost of Reproduction New	Cost of Reproduction less Depreciation
T. M.–1–T. and T. M.–6–T.	$3,357,294	$2,415,179
T. M.–2–T.	1,007	683
T. M.–3–T.	1,269	842
T. M.–4–T.	1,639	1,035
T. M.–5–T.	18,023	15,031
Total	$3,379,232	$2,432,770

Non-Carrier Property.

Near Roberts, Texas, about 900 feet east of survey station 228, on what was formerly the right of way of the line leading from Garrett to Roberts, is an old depot approximately 20′ x 44′, which is still owned by the Texas Midland Railroad but leased to a farmer as a barn. It was estimated that the cost of reproduction new of this building was $642, and the cost of reproduction new less depreciation was $64.

At Commerce, Texas, near survey station 3880, is located a one-story frame cottage 16′ x 48′, which was included in the purchase of right of way at the time the road was built. However, as far as information is available, this cottage has never been used for transportation purposes but has always been rented as a residence. It is estimated that the cost of reproduction new of this cottage is $1063, and the cost of reproduction less depreciation is $638.

Neither of the above structures are shown in the schedules of reproduction or included in the summaries thereof.

END OF
TITLE